

INFORMATION PROVIDED IN ACCORDANCE WITH THE LISTING RULES

Liquidity and Financial Resources

The toy business is inherently seasonal in nature. Generally speaking, sales in the second half-year are much higher than in the first half. As a result, a disproportionately high balance of trade receivables is generated during the peak selling season in the second half of the year. Consistent with usual trade practices, a significant portion of the trade receivables is collected in the final weeks of the fourth quarter and in the first quarter of the subsequent year, resulting in a seasonal demand for working capital during the peak selling seasons. As at 30 June 2006, trade receivables related to toys operation were HK\$125,354,000 (31 December 2005: HK\$371,370,000) and inventories were HK\$54,093,000 (31 December 2005: HK\$57,786,000).

The property investment and associated business generates a relatively steady income stream throughout the period. Approximately 96% of the total gross floor area of the Group's investment properties were leased out as at 30 June 2006. Account receivables were minimal as at the period end.

The Group's gearing ratio, defined as total bank borrowings expressed as a percentage of total tangible assets, at 30 June 2006 was 0.1% compared to 1.0% at 31 December 2005. The current ratio, calculated as the ratio of current assets to current liabilities, was 3.7 at 30 June 2006 compared to 3.1 at 31 December 2005.

The Group maintains a level of cash that is necessary and sufficient to serve recurring operations as well as further growth and developmental needs. After considering the operating cash flow and liquidity requirements, a portion of cash on hand may be invested from time to time in various types of financial instruments including fixed income, equity, derivatives and managed funds with a view to enhance overall return. The selection and allocation of such yield enhancement investments are regularly reviewed to ensure that an acceptable risk-and-return profile is maintained and the liquidity requirements of the Group are served. As at 30 June 2006, the Group's cash and bank balances were HK\$187,518,000 (31 December 2005: HK\$443,954,000), and the amount invested in various securities was HK\$293,031,000 (31 December 2005: HK\$260,216,000).

Charges on Group Assets

Details of charges on group assets are set out in note 9 to the interim accounts.

Employees

As at 30 June 2006, the Group had a total of 144 employees in Hong Kong, the Mainland China and the United States of America.

There was no material change in remuneration policies compared to those disclosed in the most recently published annual report.

Share Options

The following shows the particulars of the share options of the Company granted to Directors of the Company and employees of the Group, pursuant to the Share Option Plan (“Plan”) and the Share Option Scheme (“Scheme”) adopted on 4 May 1998 and 28 June 2002 respectively, that are required to be disclosed under Rule 17.07 of Chapter 17 and Rule 41(2) of Appendix 16 of the Listing Rules:

Participant	Date of grant	Exercise price HK\$	Number of share options				Balance at 30 June 2006
			Balance at 1 January 2006	Granted during the period (Note (1))	Exercised during the period (Note (2))	Lapsed during the period	
Plan							
Sidney TO Shu Sing <i>Director</i>	26 August 1998	0.532	529,000	-	-	-	529,000
	27 May 1999	0.506	529,000	-	-	-	529,000
	20 October 1999	0.434	660,000	-	-	-	660,000
	22 July 2000	0.626	551,000	-	-	-	551,000
	21 May 2001	0.297	1,024,000	-	-	-	1,024,000
<i>Continuous Contract Employees, excluding Directors</i>	15 May 1998	0.532	1,228,600	-	-	-	1,228,600
	27 May 1999	0.506	512,500	-	-	-	512,500
	22 July 2000	0.626	1,257,800	-	22,000	-	1,235,800
	21 May 2001	0.297	1,796,000	-	1,080,200	-	715,800
	28 August 2001	0.294	8,163,000	-	-	-	8,163,000
Scheme							
Sidney TO Shu Sing <i>Director</i>	9 August 2002	0.199	1,200,000	-	-	-	1,200,000
	10 March 2003	0.550	1,200,000	-	-	-	1,200,000
	7 January 2004	1.360	1,200,000	-	-	-	1,200,000
	22 September 2005	1.206	1,500,000	-	-	-	1,500,000
	4 May 2006	0.910	-	750,000	-	-	750,000
Alain CHENG Bing Kin <i>Director</i>	7 January 2004	1.360	590,000	-	-	-	590,000
	22 September 2005	1.206	750,000	-	-	-	750,000
	4 May 2006	0.910	-	750,000	-	-	750,000
Allen LEE Peng Fei <i>Director</i>	22 September 2005	1.206	1,000,000	-	-	-	1,000,000
	4 May 2006	0.910	-	750,000	-	-	750,000
Anthony LO Kai Yiu <i>Director</i>	9 August 2002	0.199	250,000	-	-	-	250,000
	22 September 2005	1.206	1,000,000	-	-	-	1,000,000
	4 May 2006	0.910	-	750,000	-	-	750,000
David YU Hon To <i>Director</i>	22 September 2005	1.206	1,000,000	-	-	-	1,000,000
	4 May 2006	0.910	-	750,000	-	-	750,000

Participant	Date of grant	Exercise price HK\$	Number of share options				Balance at 30 June 2006
			Balance at 1 January 2006	Granted during the period (Note (1))	Exercised during the period (Note (2))	Lapsed during the period	
Alexander CHOW Yu Chun <i>Director</i>	4 May 2006	0.910	-	750,000	-	-	750,000
TSIM Tak Lung <i>Director</i>	22 September 2005	1.206	1,000,000	-	-	-	1,000,000
	4 May 2006	0.910	-	750,000	-	-	750,000
Charles IP Shu Wing <i>Director</i>	22 September 2005	1.206	1,000,000	-	-	-	1,000,000
	4 May 2006	0.910	-	750,000	-	-	750,000
<i>Continuous Contract Employees, excluding Directors</i>	9 August 2002	0.199	3,876,000	-	758,000	32,000	3,086,000
	10 March 2003	0.550	6,660,000	-	373,800	32,000	6,254,200
	7 January 2004	1.360	11,300,100	-	-	476,000	10,824,100
	19 March 2004	1.240	11,000,000	-	-	-	11,000,000
	22 September 2005	1.206	21,026,000	-	-	450,000	20,576,000
	9 January 2006	1.030	-	500,000	-	-	500,000
	4 May 2006	0.910	-	14,890,000	-	-	14,890,000

Notes:

- (1) The closing prices of the ordinary shares of the Company on 6 January 2006 and 3 May 2006, being the trading days immediately before the dates on which the share options were granted during the period, were HK\$1.04 and HK\$0.87 respectively.
- (2) The weighted average closing price of the ordinary shares of the Company immediately before the dates on which the options were exercised by continuous contract employees, excluding Directors, during the period was HK\$0.9505.

The above share options are exercisable in stages in accordance with the terms of the Plan and the Scheme within ten years after the date of grant. No options were cancelled during the period.

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on the Black-Scholes option pricing model. The expected life of the option is used as an input into this model.

Fair value of share options and assumptions

	2006	2005
	(weighted average)	
Fair value at measurement date	0.361	0.509
Share price	0.913	1.206
Exercise price	0.913	1.206
Expected volatility	50.33%	51.63%
Expected option life	5 years	5 years
Expected dividend yield	2.59%	2.00%
Risk-free interest rate (based on Exchange Fund Notes)	4.35%	4.17%

The expected volatility is based on the historic volatility (calculated based on the weighted average life of the share options), adjusted for any expected changes to future volatility due to publicly available information. Expected dividend yield is based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

Directors' and Chief Executive's Interests and Short Positions in the Shares and Underlying Shares of Equity Derivatives of the Company or any Associated Corporation

As at 30 June 2006, the interests of each Director and Chief Executive of the Company in the shares and underlying shares of equity derivatives of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance (“SFO”)) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (“Stock Exchange”) pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) of the Listing Rules were as follows:

Long position in shares of the Company and its associated corporation

Name of Director	Name of company	Nature of interest	Number of shares held	Percentage interests held
Thomas CHAN Chun Hoo	Playmates Holdings Limited	Corporate (Note (a))	730,900,000 ordinary shares	39.09%
Sidney TO Shu Sing	Playmates Holdings Limited	Personal	9,360,000 ordinary shares	0.50%
Alain CHENG Bing Kin	Playmates Holdings Limited	Personal	1,200,000 ordinary shares	0.06%
Allen LEE Peng Fei	Playmates Holdings Limited	Personal	500,000 ordinary shares	0.03%
Anthony LO Kai Yiu	Playmates Holdings Limited	Personal	2,390,000 ordinary shares	0.13%
David YU Hon To	Playmates Holdings Limited	Corporate & Personal (Note (b))	5,300,000 ordinary shares	0.28%
TSIM Tak Lung	Playmates Holdings Limited	Personal	1,364,000 ordinary shares	0.07%
Charles IP Shu Wing	Playmates Holdings Limited	Personal	18,400,000 ordinary shares	0.98%
	Nippon Toys Limited	Personal (Note (c))	1 share	50%

Long position in underlying shares of equity derivatives of the Company

Name of Director	Nature of interest	Number of equity derivatives held	Number of underlying shares (ordinary shares)	Percentage interests held
Thomas CHAN Chun Hoo	Corporate (Note (a))	146,180,000 warrants	146,180,000 shares	7.82%
Sidney TO Shu Sing	Personal	1,872,000 warrants	1,872,000 shares	0.10%
	Personal	9,143,000 share options	9,143,000 shares	0.49%
Alain CHENG Bing Kin	Personal	240,000 warrants	240,000 shares	0.01%
	Personal	2,090,000 share options	2,090,000 shares	0.11%
Allen LEE Peng Fei	Personal	100,000 warrants	100,000 shares	0.005%
	Personal	1,750,000 share options	1,750,000 shares	0.09%
Anthony LO Kai Yiu	Personal	478,000 warrants	478,000 shares	0.03%
	Personal	2,000,000 share options	2,000,000 shares	0.11%
David YU Hon To	Corporate & Personal (Note (b))	1,060,000 warrants	1,060,000 shares	0.06%
	Personal	1,750,000 share options	1,750,000 shares	0.09%
Alexander CHOW Yu Chun	Personal	750,000 share options	750,000 shares	0.04%
TSIM Tak Lung	Personal	272,800 warrants	272,800 shares	0.01%
	Personal	1,750,000 share options	1,750,000 shares	0.09%
Charles IP Shu Wing	Personal	3,680,000 warrants	3,680,000 shares	0.20%
	Personal	1,750,000 share options	1,750,000 shares	0.09%

Notes:

- (a) 730,900,000 ordinary shares and 146,180,000 warrants of the Company were beneficially owned by Angers Investments Limited (“AIL”). All the issued share capital of AIL is beneficially owned by a private company which is in turn wholly-owned by Mr. Thomas Chan Chun Hoo.
- (b) 4,200,000 ordinary shares and 840,000 warrants of the Company were held by a private company which is 50% owned by Mr. David Yu Hon To and 50% owned by a member of his family.
- (c) Mr. Charles Ip Shu Wing had a personal interest of one share in Nippon Toys Limited, an associated company of the Group.

Unless stated otherwise, all the aforesaid shares and equity derivatives were beneficially owned by the Directors concerned. The percentage shown was the number of shares or underlying shares the relevant Director was interested expressed as a percentage of the number of issued shares of the relevant company as at 30 June 2006.

The warrants are exercisable at any time from 26 May 2006 to 25 May 2007, both dates inclusive, at an initial subscription price of HK\$1.03 per share (subject to adjustment) and subject to the terms and conditions under the Warrant Instrument dated 24 May 2006.

Details of the share options held by the Directors and Chief Executive of the Company are disclosed in the above section headed “Share Options”.

As at 30 June 2006, none of the Directors and Chief Executive of the Company were interested or deemed to be interested in short positions in the shares and underlying shares of equity derivatives of the Company or any associated corporation.

Shareholders' Interests and Short Positions in the Shares of the Company Required to be Recorded under Section 336 of the SFO

As at 30 June 2006, persons (other than the Directors and Chief Executive of the Company) who had interests or short positions in the shares of the Company, being 5% or more of the Company's issued share capital, as recorded in the register required to be kept under section 336 of the SFO were as follows:

Long position

Name	Nature of interest	Number of shares held	Percentage interests held
TIAA-CREF Investment Management, LLC	Beneficial Owner	119,150,000 ordinary shares	6.37%
Sansar Capital Management, LLC	Investment Manager	187,302,000 ordinary shares <i>(Note)</i>	10.02%
Sansar Capital Master Fund, LP	Beneficial Owner	152,648,000 ordinary shares	8.16%

Note: These interests include the shares held by Sansar Capital Master Fund, LP.

Purchase, Sale or Redemption of Shares

The Company has not redeemed any of its shares during the period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period.

Compliance with the Code on Corporate Governance Practices

The Company is committed to maintaining and ensuring high standards of corporate governance. The Company has complied with the Code on Corporate Governance Practices (“Code on Corporate Governance”) as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2006 except for the deviation from provision A.2.1 of the Code on Corporate Governance in respect of segregation of the roles of chairman and chief executive officer.

Provision A.2.1 of the Code on Corporate Governance stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

The Board currently comprises three Executive Directors (one of whom is the Chairman) and six Non-executive Directors. Of the six Non-executive Directors, four of them are Independent Non-executive Directors. Mr. Thomas Chan Chun Hoo is the Chairman and Chief Executive Officer of the Company. He focuses on Group strategy and is responsible for chairing and managing the efficient operation of the Board and ensuring that all key issues are considered by the Board in a timely manner. Whereas responsibilities for running of the business operation of the Group are delegated to different designated senior executives. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the business of the Group given that there is a strong and independent non-executive element on the Board and a clear division of responsibility for the running of the business of the Group. The Board believes that the structure outlined above is beneficial to the Company and its business.

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters, including a review of the unaudited condensed interim accounts for the six months ended 30 June 2006.

Compliance with the Model Code

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules for securities transactions by Directors of the Company. All the members of the Board have confirmed, following specific enquiry by the Company, that they have complied with the required standard as set out in the Model Code throughout the period ended 30 June 2006.

Closure of Register of Members

The Register of Members of the Company will be closed from 12 September 2006 to 13 September 2006, both days inclusive, during which period no transfer of shares will be effected. In order to be qualified for the declared dividend, all completed transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Registrars, Abacus Share Registrars Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong no later than 4:00 p.m. on 11 September 2006.

On behalf of the Board
Thomas CHAN Chun Hoo
Chairman

Hong Kong, 18 August 2006